

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
ANCILLARY SERVICES
PROCUREMENT
AGREEMENT BETWEEN THE
NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND PANAY
ENERGY DEVELOPMENT
CORPORATION, WITH
PRAYER FOR THE ISSUANCE
OF PROVISIONAL
AUTHORITY,**

ERC CASE NO. 2017-088 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND PANAY
ENERGY DEVELOPMENT
CORPORATION,**

Applicants.

X -----X

D O C K E T E D
Date: JAN 04 2018
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 12 October 2017, the National Grid Corporation of the Philippines (NGCP) and Panay Energy Development Corporation (PEDC) filed an Application seeking the Commission's approval of their Ancillary Services Procurement Agreement (ASPA), with prayer for the issuance of a provisional authority.

In their Application, NGCP and PEDC alleged the following:

1. This Application is for the approval of the Ancillary Services Procurement Agreement (ASPA) between the NGCP and

PEDC, pursuant to the Decision dated 3 October 2007 in ERC Case No. 2006-049RC, entitled: *"In the Matter of the Application for the Approval of Ancillary Services – Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority."*

THE PARTIES

2. Applicant NGCP is a corporation created and existing under the laws of the Philippines, with office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City. It holds a franchise under Republic Act No. 9511¹ to engage in the business of conveying or transmitting electricity through high-voltage back-bone systems of interconnected transmission lines, substations and related facilities, and for other purposes. The franchise also includes the conduct of activities necessary to support the safe and reliable operation of the transmission system.
3. Applicant PEDC is a corporation organized and existing under and by virtue of the Philippine laws with principal office address Barangay Ingore, La Paz, Iloilo City. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the 2x82MW CFB Coal-Fired Power Plant (Power Plant) in Barangay Ingore, La Paz, Iloilo City, which was certified and accredited by NGCP as capable of providing Contingency Reserve (CR).

ANTECEDENT FACTS

4. Republic Act No. 9136 provides that it is the responsibility of NGCP to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the performance standards for its operations and maintenance, as set forth in the Philippine Grid Code (PGC), adopted and promulgated by the Honorable Commission; and to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system².
5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid Ancillary Services and for developing and proposing Wheeling Charges and Ancillary Service tariffs to the ERC³.

¹ An Act Granting the National Grid Corporation of the Philippines a Franchise To Engage in the Business of Conveying or Transmitting Electricity Through High Voltage Back-Bone System of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes.

² Section 9 (c) and (d).

³ 2007 PGC, Section 6.3.1.2.

6. Ancillary services (AS) as defined in Section 4b of the EPIRA “refer to those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid Code to be adopted in accordance with this Act.” These services are essential in ensuring reliability in the operation of the transmission system and consequently, in the reliability of the electricity supply in the Luzon, Visayas and Mindanao grids.
7. In order to implement and regulate the procurement of AS, the Honorable Commission approved the Ancillary Services Procurement Plan (ASPP) through its Order dated 9 March 2006 in ERC Case No. 2002-253 and the Ancillary Services-Cost Recovery Mechanism (AS-CRM) through its Decision dated 3 October 2007 in ERC Case No. 2006-049RC.
8. Pursuant to its mandate, NGCP on different dates published in newspapers of general circulation a Notice of Invitation for Prospective Ancillary Services Providers, inviting all grid-connected merchant plants and independent power producers to participate in the provision of ancillary services. NGCP received several positive responses from generation companies. Upon receipt of the intention from PEDC to provide ancillary services, NGCP commenced negotiation for the execution of an ASPA.
9. NGCP agreed to procure and PEDC agreed to provide Ancillary Services in the form of CR for a period of five (5) years under firm and non-firm arrangements. A copy of the *Ancillary Services Procurement Agreement between NGCP and PEDC* dated 14 September 2017 is attached as **Annex “A”**.
10. During the period of negotiation, NGCP conducted several tests on Units 1 and 2 of the PEDC Power Plant, and certified that the units have met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing Contingency Reserve Service (Manual Mode:U1 = 13.0MW; U2 =13.0MW)

Thus, NGCP issued the *Ancillary Services Certification with Accreditation No. 2016-V0030*, attached as **Annex “B”**.

CONTRACTED CAPACITY RATES AND IMPACT SIMULATION

11. Schedule 1 of the ASPA provides for the AS to be provided under the ASPA:
 - A. Firm Contracted Capacity:

Contingency Reserve (Primary Reserve) at 26MW

Schedule Hours:

- a. 1700H to 2200H, while the transmission line limitation/congestion exists along the 138kV Cebu-Negros-Panay, or upon the determination of the System Operations, on a day-ahead basis, on the need for Firm Capacity to ensure grid security and stability;
- b. 0700H to 2200H, once the 230kV Cebu-Negros-Panay transmission line is completed and energized.

B. Non-Firm Contracted Capacity:

Contingency Reserve (Primary Reserve) up to 13MW per unit (2300-0600H)

The capacities listed above are the maximum offer. However, for clarity, the basis for AS Providers nomination and scheduling shall be the capacities listed in its valid AS Certificates.

12. Schedule 4 of the ASPA provides for the applicable maximum hourly rate for the capacity covered by the ASPA, as follows:

Firm Contracted Rate:

Contingency Reserve: PhP1.50/kW/Hr

Non-Firm Contracted Rate:

Contingency Reserve: PhP2.25/kW/Hr

and formula in the computation of the Ancillary Services Fees as well as the Incidental Energy Cost.

13. Applicants submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS.

AS Type	Indicative Rate Impact	
	P/kW-month	P/kWh
CR	15.8840	0.0334

A copy of the *Rate Impact Simulation for PEDC* with a brief discussion on how NGCP derived the proposed ancillary services rates is attached as **Annex "C."**

14. Consistent with the AS-CRM, all the related and incidental expenses which NGCP will incur as a result of the procurement and operation of the ancillary services shall be recovered from all the load customers in the Visayas Grid.

15. PEDC submits the copies of the following documents:

Document	Annex
<i>Certificate of Compliance</i>	"D"
<i>Summary of Existing Power Supply Agreement</i>	"E"
<i>Articles of Incorporation</i>	"F"
<i>Latest Security Exchange Commission – General Information Sheet</i>	"G"
<i>Latest Audited Financial Statement</i>	"H"
<i>WESM Registration</i>	"I"

**ALLEGATIONS IN SUPPORT OF THE
PRAYER FOR PROVISIONAL AUTHORITY**

16. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2b, EPIRA*). With this end in view, there is a need to comply with the system requirements for AS to ensure grid system reliability. As mentioned above, NGCP has the mandate to procure the required AS. However, the Honorable Commission must first approve the contract before the same could be implemented.
17. Based on the current levels of available contracted AS in the Visayas Grid, the contracted AS have not yet met the required levels of the ASPP. A copy of the relevant actual data and its corresponding graphical presentations showing the available CR and the contribution of PEDC in the Visayas Grid, entitled: *Visayas CR Availability* is attached as **Annex "J"**
18. NGCP must be guaranteed that there are available AS on a daily basis to assure reliability of the grid. There is no assurance that the non-firm capacities would be available when needed. NGCP cannot gamble on this chance. As the grid operator, the contracted capacity of PEDC, especially its firm capacities, are greatly needed.
19. Also, as the demand for power in the Visayas increases, the requirements of the system to ensure stability, reliability and security likewise increases. Ensuring the integrity of the system is essential to protect the interests of the public. The absence of system reliability and stability will certainly discourage investments and growth.
20. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to maintain the present reliability and security of the Grid. In

support of these allegations, NGCP submits a copy of the *Judicial Affidavit of Engr. Lizaflor Bacani-Kater*, which is attached as **Annex "K"**

PRAYER

WHEREFORE, premises considered, Applicants respectfully pray that the Honorable Commission to:

- a) Immediately **ISSUE** a provisional authority to implement the subject ASPA;
- b) **APPROVE**, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief under the premises.

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **01 February 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.) at Richmonde Hotel, Megaworld Boulevard cor. Enterprise Road, Iloilo Business Park, Mandurriao, Iloilo City, Iloilo.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

1. The petitioner's name and address;
2. The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
3. A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicants rest their case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular

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form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

1. The name and address of such person;
2. A concise statement of the Opposition or Comment; and
3. The grounds relied upon.

All such persons who wish to have a copy of the Application may request from Applicants that they be furnished with the same, prior to the date of the initial hearing. Applicants are hereby directed to furnish all those making such request with copies of the Application and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the Application and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 19th day of December 2017 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal